Commercial in Confidence

Southwark Land Regeneration
Submission to the London Borough of Southwark
Elephant & Castle Stage III
Section 2 - Volume 2
Masterplan Vision

25 April 2000

OUR PROPOSALS

- Up to 100% reprovision of all the Council homes currently on the Heygate Estate.
- 50% of the new social homes - reprovided as part of the redevelopment within the area currently occupied by the Heygate Estate.
- 50% of the new social homes - reprovided close to the enlarged and vibrant heart of the Elephant and Castle.
- All of the social and private housing will be integrated and positioned to enjoy the new public spaces, green lanes environment, shopping, community and leisure facilities.
- Social homes and new private housing for sale share the new central environment of the Elephant and Castle ie. The Central Square, the Park and the new terraces and garden squares.
- No new social housing over 6 storeys unless the tenants want it – new social housing in normal streets, terraces, garden squares
- Choice and flexibility of tenure
  social rented ➨ shared ownership ➨ flexible tenure (ie. Staircasing up and down) ➨ key workers ➨ private for rent ➨ private for sale.
- Everyone to have a stake in the Elephant and Castle.
- A choice between:
  - ⏩ Community Land Trust / Local Housing and Regeneration Company to own and run the new and refurbished social housing where the membership is
    - 1/3 the Council
    - 1/3 the Tenants
    - 1/3 Independent appointments – approved by the Council, the Tenants and the Housing Corporation
  - ⏩ Transfer to an existing Housing Association or Associations
  - ⏩ Continuing ownership by the Council
- A programme of environmental improvements and refurbishment in the estates around the Elephant and Castle

TWO GUIDING LESSONS – LEARNED FROM THE CONSULTATION PROCESS

"One of the most important and commanding impressions that I have taken away from the meetings with the tenants and residents, and from detailed discussions with the local community during the 4 day exhibition and the many meetings, is the understandable fear and concern amongst many who have often lived much of their lives on the Heygate and other nearby estates, that they will have:

- lingering uncertainty over the nature and location of their new homes
- to face a new, untried, untrusted landlord
- to face increased rents
- to suffer dislocation of their existing community"

"There is real concern about losing the established relationship with the Council, however much people may grumble about the service that the Council is able to afford to provide."

"We all came away from the exhibition with redoubled determination to address these fundamental issues."

"The next most impressive and optimistic understanding that we have gained from all our discussions is that this is a community full of resource and initiative – there are natural leaders, natural skills and a whole resource of training provided by Southwark and others, and by this whole process over the last 2 years"

"This will provide the foundation to enable local people to represent the community, and the tenants and the other stakeholders in whatever organisation and structure is agreed for the future ownership and management of the socially and economically valuable assets that we, Southwark and the community can create together – whether it be a new Community Land Trust or a new relationship with the Council"

"It is exactly these community strengths that will provide the essential foundation for the delivery of the new, neighbourhood based, approach recommended yesterday by the Social Exclusion Unit"

Nicholas Taylor, Community Forum, 12 April 2000

3. OPTIONS FOR DELIVERY OF SOCIAL HOUSING

3.1 The new housing, to replace the homes lost from the Heygate estate, will be provided in and around the new development and will be funded through land transfers from the LonOdon Borough of Southwark, a cross-subsidy from the redevelopment and private finance raised against future rents. In addition, we have reviewed how the needs of the other estates in the area for major refurbishment might be met.

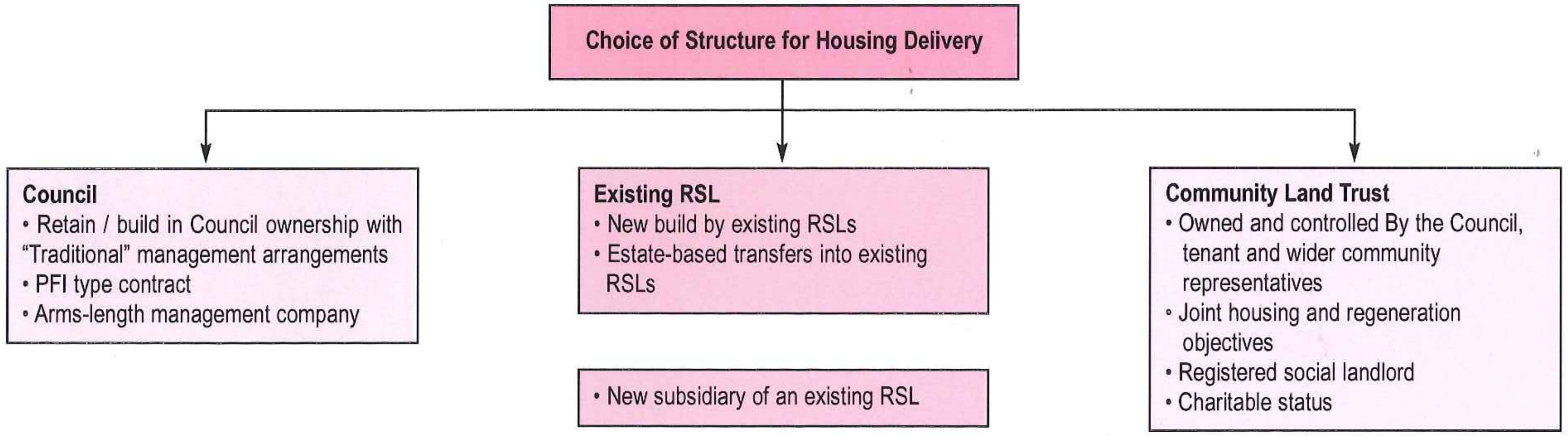
3.2 The potential future ownership of the new social housing is dealt with in conjunction with the modernisation and refurbishment programme for the remaining estates, although the option to consider this separately is also discussed.

3.3 The principal options for the delivery of the housing investment programmes are:

- Through the HRA, perhaps using PFI mechanisms or, as suggested by the Green Paper, establishing an arms-length company.
- Through existing RSLs, either as a subsidiary(ies) or by "absorption"
- Through a new housing and regeneration trust, registered as a social land lord and serving the local community.

3.4 A combination of these options might be considered and we have set some of these out below. Each is compared against key criteria, and we conclude with what we recommend is the most suitable to achieve our shared objectives.

3.5 Each of these options is described opposite, following which we discuss the advantages and disadvantages. We have attempted to look at these "pros and cons" from the perspectives of all those with an interest in the scheme and with a view to maximising the benefits for Southwark.



3.6 Key Criteria

- Financial Viability

Our proposals to provide 1,126 new social homes and refurbish the other Council homes in the Elephant & Castle involve investment of some £250m over 7 years. Our wider proposals for investment in and regeneration of the area produce surpluses of some £130m as a cross subsidy contribution to these costs.

This leaves an "investment gap" of some £123 million. Bridging this gap is crucial to the viability of any of the housing delivery mechanisms.

- HRA Impact

We are mindful of the impact of the delivery options upon the Housing Revenue Account (HRA) and, thereby, the Council's other tenants. As has been illustrated in the HACAS report on HRA stock investment options, partial transfer or a "Private Finance Initiative" (PFI) can impact adversely upon the HRA. That is, a solution for some tenants can represent a problem for the remainder. We have therefore considered the HRA impact in appraising the delivery options.

- Supporting Regeneration

A further key consideration is the ability of the housing delivery vehicle to link and contribute positively to community regeneration and investment programmes in the Area. The Prime Minister has referred to regeneration "working" only when there is a **local organisation** that is **adequately resourced.** Again we consider the ability of the housing delivery vehicles to meet these criteria.

- Consistent Housing Strategy

We have been mindful of the Council's housing Strategy, which we summarised in Section 2. Our proposals must be consistent with that strategy, provide opportunity for further progress and leave options open for discussion and negotiation with the Council.

3.7 The HRA
We understand the strong wish of many tenants and residents and of Council Members to retain ownership of the housing stock not included in the major redevelopment. The Council represents a trusted, democratically controlled landlord not motivated to exploit its housing for profit.

3.8 However, public expenditure controls have and appear to be set to continue to starve the Council of investment capacity, preventing redevelopment or refurbishment programmes on any major scale. The investment gap of some £123 million that we have identified is not available to the Council without diverting resources from other priorities and responsibilities.

3.9 We have considered whether a PFI type mechanism might help solve the problem. The concept of Private Finance Initiatives has been around for over 10 years. It became popular with Central Government as a means of securing major investments in, for example, new hospitals and related facilities, or new office accommocation. More recently, local authorities have been able to use such mechanisms to secure long term funding of other facilities, such as school buildings and even street lighting.

3.10 The PFI type arrangements we envisage would be similar to the council housing PFI Pathfinder schemes currently being piloted. Here a PFI Operator is engaged to provide the investment in the homes and to continue to maintain and manage them in the long term (30 years or longer). The Operator charges the HRA for the service, recouping its initial investment over the contract term and so spreading its cost.

3.11 There are two major problems with this approach:

- The Local Authority (Capital Finance) Regulations specifically exclude the provision of new Council houses through PFI and other ways of providing or meeting credit cover must be found. As set out in the Financial Section, we believe that the Regulations concerning Regeneration will avoid credit cover requirements:

- Even if permitted, the annual charge relating to the initial (capital) investment and on-going services would be more than £16 million p.a., offset only partially by savings in management, repair and maintenance costs post-redevelopment or refurbishment. Appendix B sets out our estimate of a net cost of £8.0 million p.a to the HRA of using this route.

3.12 The Housing Green Paper describes (at Section 7.37) an arrangement for "Arms-length management companies for local authority housing". Clearly this is part of the wider agenda to encourage local authorities to separate their strategic role, to consider the whole housing market, from their role as landlords of Council housing. The Green Paper proposes a new option, where the "best performing authorities" would be able to retain and use more of their rental income to finance borrowing for investment in stock improvements. Details are not yet available but will be worked up as part of the Government's Spending Review. This option might in due course be available for consideration, but as details are as yet unclear, we have not pursued it here. In any event, it would probably apply only to existing homes earmarked for possible refurbishment, not including new homes.

3.13 While a PFI type option might represent a solution to housing investment problems, albeit at a cost to the HRA, it does not help the wider regeneration agenda. This is because of:

- The ring-fenced nature of the HRA which does not allow contributions to non-housing costs;

- The focus of the possible "Arms-length" companies on the housing task; and

- A housing subsidy system that might remove surpluses from HRAs and redistribute them for housing purposes nationally.

3.14 Existing RSLs (Housing Associations) as Partners

There are several ways of structuring an "existing RSL" delivery mechanism:

- The new build stock – on infill and "new Heygate", could be provided or acquired by local RSLs and absorbed into their portfolios.

- Tenants of the "retained" Estates could transfer to the RSL of their choice, in return for a re-furbishment package and certain guarantees (e.g. rents and rights)

- A combination of new build and retained stock could become a subsidiary of an existing RSL, again with tenants choosing which one.

3.15 As RSLs are private sector organisations with affordable rents that are within Housing Benefits thresholds, they are able to borrow against net rental streams to help bridge the investment gap. Indeed, our calculations indicate that the gap could be fully funded in this way.

3.16 The Green paper indicates that such a transfer(s) would be in accordance with Government policy, with RSLs competing for future ownership of the housing stock, either directly or within subsidiary (owned) organisations. Our own investigations have established that existing RSLs would be very keen to become involved.

3.17 Transfer of the retained Estates and new homes to RSLs would affect the HRA adversely. Under current subsidy arrangements we have estimated that the HRA would be in deficit by some £800 per unit lost (see Appendix B), so that the net cost would amount to some £3.2 million per annum. This could be reduced if headquarters and overhead costs were saved in addition to local management budgets.

3.18 The use of existing RSLs is feasible, and they have been used successfully to access private finance for housing investment, for example in the Estate Renewal Challenge Fund programme. We also considered whether a combination of existing RSLs would be suitable. There are a number of drawbacks to this approach, however, as follows:

- Distribution of the stock – new and retained, to a number of RSLs would produce a fragmented approach to housing investment and regeneration, with different management and maintenance standards, tenancy rights and rent levels. While competition among RSLs may be a good thing, differences in standards etc in a relatively compact area is to be avoided.

- Absorption of the housing stock within existing RSLs would lose local focus. Boards of management, considering issues across their entire portfolios, could find that there was insufficient time for Elephant & Castle issues.

- A single subsidiary encompassing all new build and retained homes would avoid the above problems. Our experience of such transfers, however, suggests that contractual arrangements with the "parent" constrain local freedom of action and are not always the most cost-effective solution. In this latter respect, the subsidiary may be unable to use Business Plan surpluses/financial strength for its own objects – for example regeneration, but could find these decisions being made by the parent body and serving its aims rather than local ones. This would of course depend upon contractual arrangements that could be negotiated with an existing RSL.

3.19 **A Community Based Housing and Regeneration Trust**

The third and final main option that we considered is to establish a new organisation to deliver both housing and regeneration services, which we have referred to as a Community Land Trust ("CLT"). To accept tenanted Council housing (subject to a tenants' ballot) or the new homes for rent, the CLT would need to be a Registered Social Landlord. We would propose establishing it as a charity, for tax efficiency purposes, with both housing and regeneration objects.

3.20 The CLT would be owned and controlled in partnership between the tenants, the Council and the local community. Typically Boards of Local housing Companies, which are similar in their housing objectives, are 1/3:1/3:1/3 tenant, Council and independent community controlled. However, there is a degree of flexibility in this subject to:

- No overall Council control so that the organisation is classified as "private sector" and is free from public sector financial constraints.

- A minimum of 1/3 independent community representatives on the Board.

Subject to these constraints, and to agreement with the Housing Corporation, the Board of the new CLT could be structured in discussion with the Council and tenants.

3.21 The objects of the CLT should be wide-ranging over permitted housing and regeneration purposes. A possible set of objects is at Appendix A.

3.22 The CLT is capable of registration as a Registered Social Landlord with the Housing Corporation. This is currently essential if it is to receive the tenanted housing stock (i.e. the blocks for refurbishment) and the Heygate replacement stock, if that should be desirable. The only difficulty that might be experienced in registration would be if the non-housing activity was both too large a part of its financial programme at the point of registration (as part of its then business plan) and the extent of the risk that would attach to the non-housing activity. (For example, running the Leisure centre would need careful risk analysis and a low chance of financial risk to the Company with future investment and subsidy needs financed in advance. We don't see manaing that risk as a problem.).

3.23 The advantages of this model are that:

- There is a single focus upon the Elephant & Castle area;

- Community accountability and partnership with the Council is built into the "corporate form";

- As an RSL, similar borrowing power against the rental stream and financial viability to that of an existing RSL;

- Uniformity of housing policies, standards and rent structure;

- Endowment of the benefits of property ownership upon the local community

3.24 This last point is an essential one, which distinguishes this model from one based upon an existing RSL. This is because RSLs will borrow to finance new build / refurbishment against a business plan extending typically to 30 years. The rent income, net of expenditure on management, maintenance and major works, repays the initial borrowing and interest.

3.25 However, this approach results in the RSL eventually owning a debt-free asset, which will continue to have a considerable if not enhanced value. The reality of the situation is that once the Business Plan has moved on, and provided that unforeseen events do not disrupt it, further borrowing or on-going expenditure programmes may be financed. This "free revenue" phenomenon is usually enhanced by the Business Plan assumptions being prudently based, so that net operating surpluses (total income less total expenditure excluding debt repayment) usually exceed planned amounts. These effects are illustrated on a graph on the following page.

3.26 Quantifying the amount involved is difficult. But based upon our current financial models, significant annual regeneration programmes should be possible soon after completion of rebuild / refurbishment. The full value of the regeneration programme is not achieved, however, by diverting rent income from the primary role of the new organisation as landlord. With the wider form of the CLT, the emphasis on all procurement will be to support the local economy, provide local employment and training and play an active role in the community. Service providers and partners will be aims and provide similar opportunities. The CLT should also be able to raise additional funding, apart from the SRB programme already in existence, to support these objects.

3.27 We note that the Green Paper refers to the Government's desire to see competition brought into housing transfer, permitting existing RSLs to bid on services and price. Exceptionally a tenant controlled organisation might escape the need for such a process. If competition is a requirement, we suggest that the Council and tenants draw up an evaluation framework that lends due weight to:

- The ability to invest in community regeneration;
- The certainty of Business Plan surpluses and long-term ownership benefits being kept for the local community;
- Community accountability, in addition to the quality of services, rent levels etc.

3.28 We believe that long-term sustainable regeneration of the area will require sustained investment. Securing the use of long-term housing revenues for this purpose is key to achieving the Council's and residents' objectives for the Elephant & Castle

3.29 As noted earlier, the Green Paper outlines the possibility of establishing an arms length company within Council ownership and able to raise investment finance against the rental stream. However, this option will clearly not be possible in the short-term – Best Value excellence and subsequent positive external inspections are stated prerequisites.

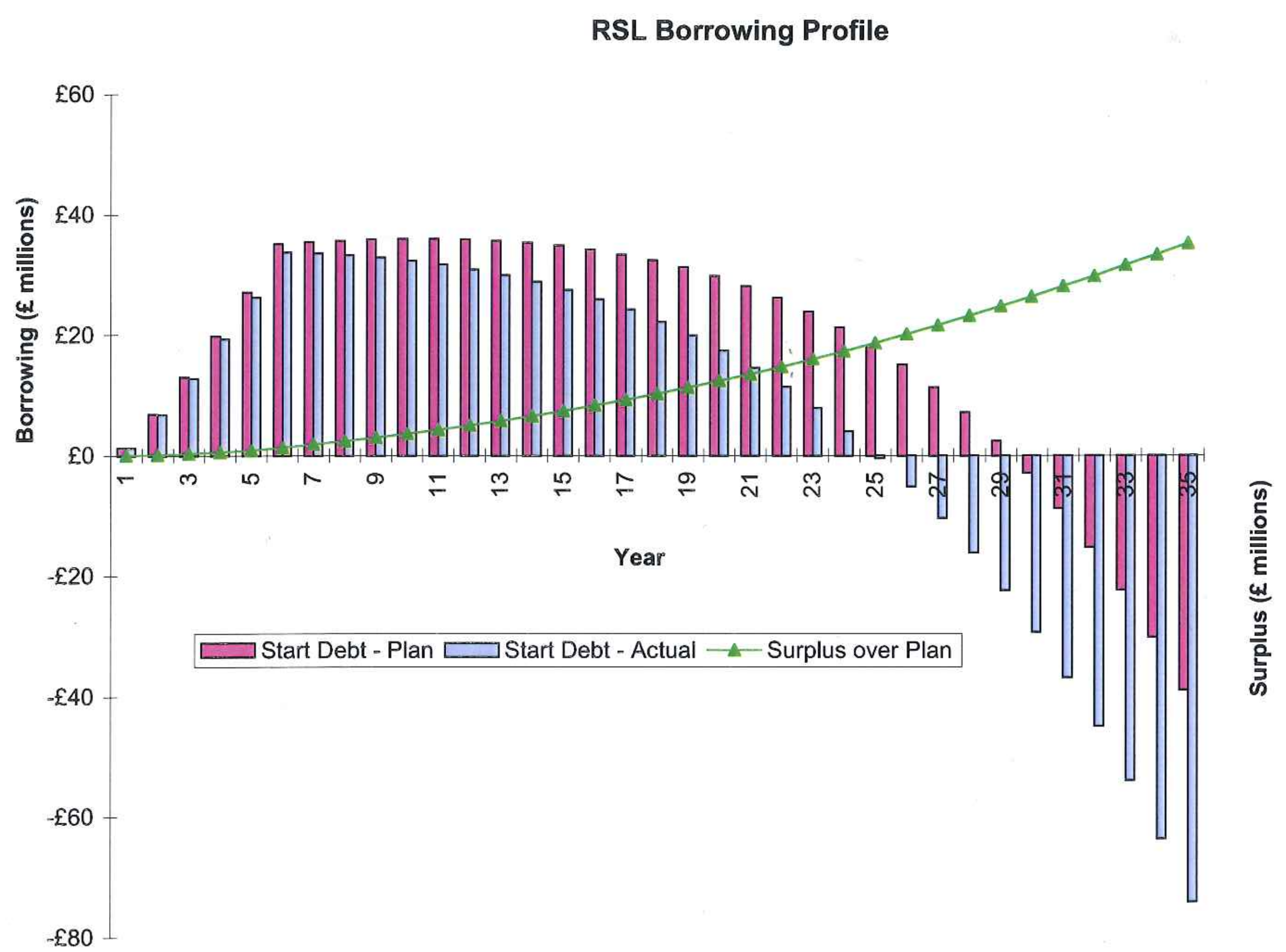
3.30 If the Council and tenants wished for a future within Council ownership, how could this be achieved while still making progress in an assured way in accordance with our proposals? A way in which this might be achieved, subject to Government approval, would be for there to be golden shares owned by the Council and tenants, that exercised jointly could trigger a return to the Council's ownership under an arms length company arrangement. A similar mechanism could be used to enable the Trust to join any future Southwark-wide transfer initiative. This keeps the long term options open to remain consistent with Borough housing strategy.

3.31 **Considering the Options**

In the diagrams over the next two page, we consider the advantages and disadvantages of the options discussed, namely:

(i) Refurbishment of Council Housing stock through an HRA-PFI type arrangement
(ii) Working with an existing RSL
(iii) Setting up an independent local RSL

We also look briefly at the option of setting up a non-registered body, which we do not, however, recommend.



i **HRA-PFI TYPE ARRANGEMENT**

Under this arrangement the Council would retain ownership of the tenanted homes in the area, other than those which are to be demolished. The costs of refurbishment and new build would be met by entering into a long-term design, build fund and operate ("DBFO") contract with another provider, which could be a new or existing RSL, or a private sector company.

Possible Advantages

- Tenants remain secure tenants of the Council
- Future maintenance of any improvements would be secured through a long term (30+ years) contract
- The Council and its tenants could include arrangements to transfer under the Borough-wide scheme at a later date.

Possible Disadvantages

- Timescale-could take up to two years or more to complete process and start work
- Long-term hand-over of management and maintenance responsibility-risk of getting selection wrong
- HRA-PFI partner may not be right for new build-complexity of arrangements
- Future uncertainty as to rents and possible LSVT plan may make it difficult to find a partner
- Financial disbenefits to the Council include:
- Loss of Housing Benefits subsidy
- Loss of actual rents
- Loss of Management and Maintenance subsidy
- Net cost to the HRA of about £8m p.a - see Appendix B

ii **AN EXISTING RSL**

Under this arrangement the Council would transfer all stock for refurbishment to an existing RSL (or a combination).

Possible Advantages

- Existing RSLs can borrow more cheaply
- Certainty from working with an existing body with a track record in refurbishing large estates
- Considerable interest could lead to competitive offers
- RSL could contract back management to the Council or transfer staff under TUPE type arrangements
- Local autonomy within a group structure could be the best of both worlds

Possible Disadvantages

- Setting up costs and time (about 18 months)
- May be unwilling to dedicate surpluses to the local area (unless required through contract)
- Value absorbed into the group
- Few have a track record of refurbishing large estates
- Local autonomy with parent veto-local representation/involvement limited therefore
- Housing Corporation unlikely to agree only one RSL-possible fragmentation, especially rents and management policies
- The need to register the subsidiary
- Tenants might not vote for it
- Potential net loss to the Council's HRA of up to £3.2m. p.a.

iii A NEW LOCAL RSL

Under this arrangement, as described, a new local RSL is formed, to concentrate on housing renewal and regeneration of the local area.

Possible Advantages
- The value is retained by the local community
- Local focus
- Could be SRB/Regeneration vehicle
- Local Representation
- Transfer of local staff
- Could dedicate local surpluses-and would be locally accountable
- Could move into Borough wide arrangements at a later date

Possible Disadvantages
- Setting up costs and time (about 18 months)
- Funding may be more expensive
- Uncertainty over registration / Housing Corporation policy
- Tenants might not vote for it
- Loss to the Council HRA amounts to about £3.2m p.a.

iv A NON-REGISTERED LOCAL COMPANY

Under this arrangement, a local company is established, but not registered with the Housing Corporation.

Possible Advantages
- Could be established in weeks
- As no Social Housing Grant is available, avoids need for registration
- Truly local, with local control
- Could have wide "shareholder" base
- Can do whatever regeneration it wants
- Could be a charity/Community Land Trust

Possible Disadvantages
- Special consent for land transfer would be needed from the Secretary of State-few precedents
- Tenants might not vote for it
- Taxation
- Funding costs likely to be much higher
- Political image?

3.32 CONCLUSION

We have considered the options available and, whilst each have some merit, we propose that a new, stand-alone Community Land Trust, as a Registered Social Landlord, offers the Council and local interests the best prospect for delivering a successful outcome and partner for the long-term. In short, it is Best Value for everyone.

4. **PARTNERSHIP IN DELIVERY**

4.1 As noted in our introduction, our vision for the regeneration of the Elephant and Castle is one that involves a partnership between the Council Tenants, the wider community and Southwark Land Regeneration. All these parties will be stakeholders in the area, and have a significant contribution to make to its future.

4.2 A key principle underpinning our proposals is to share the latent value of the land and property in the area that will be realised through our development plans. Additionally, we are concerned that:

- The long term benefits of land and property ownership should continue to be available for community benefit; and
- Social housing and other community-based programmes should continue to be managed and delivered in a way that ensures quality services, affordable rents and accountability to the community.

4.3 Accordingly, while our proposals involve social housing management by a Registered Social Landlord, this is so as to escape the strictures of public sector expenditure control and is structured to maximise the long-term financial benefits for community investment. These principles are also in harmony with the Government's and the Housing Corporation's aims of RSLs becoming involved in wider community regeneration than providing and managing social housing alone entails.

4.4 The partnership arrangements we propose and the key relationships involved are set out in the diagrams below, with the relationships detailed more fully in the following paragraphs.

4.5 **The Council** would use its land and property assets, its planning and regulatory powers, its SRB budgets and housing decanting capacity as contributions to the regeneration. In addition to full nomination rights to the new and improved homes, it would receive its share of the development surpluses achieved by Southwark Land Regeneration. It would participate in the running of the CLT.

4.6 **The Community** would participate in the running of the social housing and regeneration company. In particular, the Council tenants of the Estates and other homes scheduled for refurbishment would need to vote in favour of the transfer of their homes to the CLT.

4.7 **Southwark Land Regeneration** (SLR) would undertake and control the redevelopment of the area across all sectors – leisure, retail, housing (all sectors), transport and other infrastructure estimated to cost more than £1.7 billion. Proceeds from these activities would subsidise the social housing development. The development surpluses would be divided between the Council and SLR.

4.8 **SLR** would also ensure that high quality long-term facilities management of the social housing was in place. With similar arrangements for other parts of the development, this would ensure that the overall tone and appearance of the area was maintained for the long term. The diagrams overleaf summarise these respective roles and the transfer of assets.

4.9 Particular developers would be chosen in consultation with the Council and the Community, with tenants being involved in the selection of contractors providing services to their homes and estates. SLR would also participate where permitted in the CLT.

4.10 **The Community Land Trust** would be a new charitable organisation established for the purpose of being the landlord of the social housing and undertaking the community regeneration of the area. It would be registered with the Housing Corporation and be controlled at Board level by Tenants, Southwark LBC and wider Community Directors. The structure would involve a clear majority of Tenant and Council Directors (e.g. on a Board of 12, 4 Tenant Directors; 4 Council Directors).

4.11 **The CLT** would be financed by the development subsidy contributed by SLR, SRB budget contributions and funding raised against future rents. Rents would be kept affordable and for transferring tenants would be guaranteed not to increase by more than Government guidelines. While we envisage the CLT entering into a long-term contract for repair and maintenance, security, caretaking and cleaning services, tenancy management could either be undertaken by the CLT itself, the Council, another RSL or a private sector organisation. In all cases the Trust would need to secure value for money and Best Value by benchmarking or competition.

4.12 Key benefits of this structure will be apparent as:

- Securing community accountability through the control of the Trust being exercised through a clear majority of Council and Tenant/Community Directors.
- Maximising community benefit through proceeds being available for social housing, community regeneration and general Council purposes.
- Maximising the financial benefit of the rental stream through escaping public sector constraints, charitable status and achieving registration with Housing Corporation.
- Ensuring affordable rents through community control and Housing Corporation regulation.
- Securing funds for sustainable long-term community regeneration activities through initial use of development surpluses and SRB funds, with the additional benefit of long-term housing surpluses.
- Securing long-term quality standards of maintenance and estate management through a facilities management contract delivering services across the area.

4.13 **A practical Implementation Plan**

There is in practice little difference in activity or timescale between the process of transferring stock to an existing RSL or setting up a new body. The principal difference is that an existing RSL would bring resources and experience to the task, whilst a local new group would need additional support. SLR will undertake to provide that support, in addition to participating, by providing:

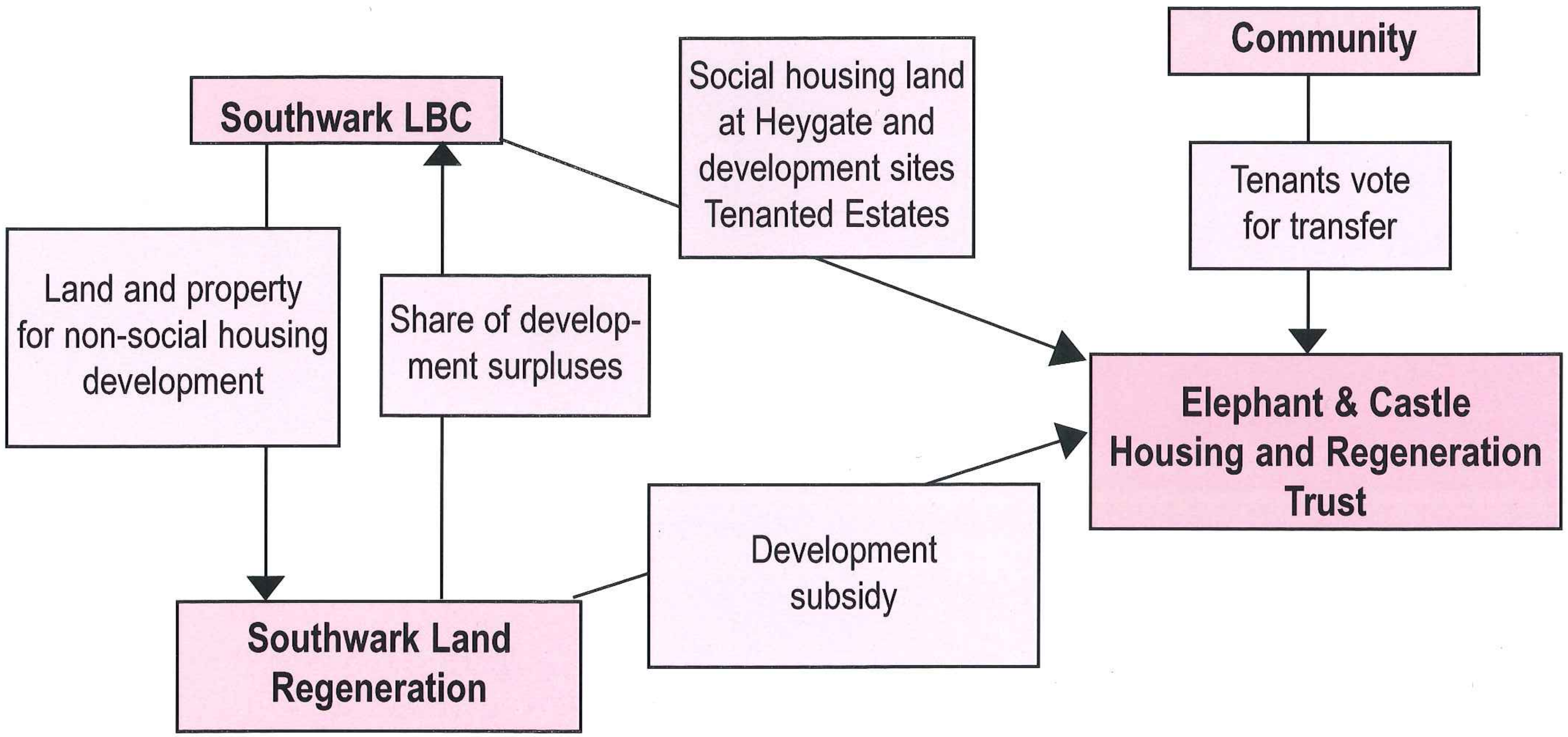
- **support to a Steering Committee to be nominated by the Elephant Links Board and the Council**
- **secondment of staff for practical**
- **assistance and support assistance with recruitment of (provisional) Community Directors**
- **funding and helping with the selection of key staff to support the Steering committee**
- **Steering Committee training and support**
- **advice and assistance being made available independently of, but funded by, SLR.**

Further, we will meet the Council's costs of consulting and balloting its tenants on the proposal.

Functions

Southwark LBC	Community	Southwark Land Regeneration	Community Land Trust
Contributes land and and property Deploys SRTB budgets Uses planning etc powers Assists in decanting Participates in E&CHRT	Tenants vote in favour Participates in E&CHRT	Undertakes the development Generates and shares surpluses Ensures that high quality long-term FM services are in place	Charitable social housing and regeneration objects RSL Funds activities from SLR development surplus, SRB and rental income

Asset Tranfers



4.14 Our expectation is that staff of the Council would transfer to the new organisation once a successful ballot has been achieved and the new body has been legally established. Stock is transferred or received from the builders after completion, and the new body must be formed in time to receive this. Our aim would be to maximise local recruitment, whilst supplying the necessary expertise and support that the Directors of the new organisation will need. Due to the similarity of implementation arrangements, whether the housing stock is passed to a single existing or new RSL or a combination, the final decision on this could be left to be made by the Steering Committee and the Council later this year. Such a decision would have allowed time for reflection and deeper consideration of the options. SLR's support will be available whichever option is finally chosen.

4.15 We fundamentally believe that a new body is more likely to be able to innovate in service provision. We have set out in Section 8 how the condition and appearance of the area could be secured long-term, through a facilities management style of contract. There are options for residents to consider, however, which gives them flexibility and choice and a stake in the condition of not only their own homes but their immediate environment.

<u>An Individual Stake</u>

We propose to give all tenants the option to switch to a "Tenancy for Life", terminable only by them or by their landlord in the event of a serious breach of their tenancy conditions. The key feature of such a tenancy is that it transfers certain internal repairs responsibilities (but not the costs) from the landlord to the tenant.

Each "Tenant for Life" will receive an annual "credit", equal to the assumed cost of the annual maintenance of the interior of their homes. They will be able to use that credit to arrange their own repairs or redecorations, do them the mselves, or to order them from the landlord's repairs service. Typically, the annual credit will be in the region of £250 each year.

Unspent "credit" to the tenant's account will be capable of being used by them for other purposes, subject to confirmation of the internal maintenance of their homes. Such purposes might include

- Access to training opportunities
- An annual "leisure pass" to the local amenities
- Payment of college fees

This is not meant to be an exhaustive list. The details of such a scheme would be finalised in consultation with residents. The key element is flexibility and choice, with tenants having the options not to switch to a "Tenancy for Life"; to use the repairs service available or to arrange repairs themselves; to secure financial benefit from savings made.

4.16 In addition, we propose to offer a similar arrangement in respect of environmental maintenance, particularly cleaning, litter collection and repairs of damage caused by vandalism. All landlords make allowance for this on an annual basis, but often tenants who look after their own area and act as responsible citizens in effect subsidise those who are less responsible. Where savings can be achieved against annual budgets for such work, we will add a further "credit" to their account.

4.17 By these means, we propose to reward responsible tenants and to instil and reward pride in local communities. Each tenant will have an individual and collective stake in the quality of their homes and local environment.

4.18 The unique state of each local resident and tenant of the CLT will therefore be recognised in three possible ways.

- every tennant will have a share in the CLT and will be able to elect representatives to its governing board
- every tennant will have an individual financial interest and control over the internal condition of their homes and local environment
- through the "Preserved Right to Buy" and other ownership options, all tenants will have a chance to take an equity stake in the rising value of their home

4.19 We will discuss with the Council how varing levels of shared ownership might be available, from as little as 10% up to full ownership, in stages. This method of "staircasing" from partial to full ownership is commonly applied to certain new RSL developments built with the expectation that all residents will eventually achieve full ownership. We believe that the CLT could be capable of introducing a new flexiblity in the arrangement. Often described as "flexible tenure" this allows residents to reduce their equity as well as increase it, as their circumstances change. The scope for innovative tenure choices is considerable, in our opinion, and consistent with the Council's objectives to achieve a greater tenure mix.

Appendix A

A Possible Structure for a Social Housing and Regeneration Community Land Trust

1. We would set up what the Charity Commision calls a regeneration charitable company (the Community Land Trust or "CLT") whose objects would be the standard model objects (reordered if desired) as follows:-

"The promotion for the public benefit of urban regeneration in areas of social and economic deprivation (and in particular the Elephant & Castle) by all or any of the following means:

a. The relief of poverty
b. The relief of unemployment
c. The advancement of education training or retraining particularly among young unemployed people, and providing unemployed people with work experience
d. The provision of financial assistance, technical assistance or business advice or consultancy in order to provide training and employment opportunities for unemployed people in cases of financial need through help: (i) in setting up their own business, or (ii) to existing businesses
e. The creation of training and employment opportunities by the provision of workspace buildings and/or land for use on favourable terms
f. The provision of housing for those who are in conditions of need and the improvement of housing in the public sector or in charitable ownership provided that such power shall not extend to relieving any local authorities or other bodies of a statutory duty to provide or improve housing
g. The maintenance, improvement or provision of public amenities
h. The preservation of buildings or sites of histories or architectural importance
i. The provision of recreational facilities for the public at large or those who by reason of their youth, age, infirmity or disablement, poverty or social or economic circumstances have need of such facilities
j. The protection or conservation of the environment
k. The provision of public health facilities and childcare
l. The promotion of public safety and prevention of crime
m. Such other means as may from time to time be determined subject to the prior written consent of the Charity Commissioners for England and Wales."

2. The CLT is capable of registration as a Registered Social landlord with the Housing Corporation. This is currently essential if it is to receive the tenanted housing stock (ie the Heygate and the blocks for refurbishment if that should be desirable). The only difficulty that might be experienced in registration would be if the non-housing activity was both too large a part of its financial programme at the point of registration (as part of its then business plan) and the extent of the risk that would attach to the non-housing activity. (For example running the Leisure centre would need careful risk analysis and a low chance of financial risk to the CLT).

3. The CLT will have three classes of members and board members as follows:

- London Borough of Southwark – appointing one third of the board
- Tenants – appointing one third of the board
- Independent/Elephant links – appointing one third of the board

Since Elephant links would prove a useful forum to pull together the other community interests this would be the appropriate point to get that involvement. Board members must have particular skills (eg finance, legal, housing management, project management/building etc) amongst their members if the Housing Corporation is to register it. There would have to be an obligation on LBS and Elephant Links to ensure those skills were appointed if they were not available from the tenants or Council directors.

4. A Board member of the CLT will be restricted in the interests they can have in any other body which the CLT grants a benefit to. In particular they cannot be a director or significant owner of any body which is benefited. The award of a contract, or the receipt of anything which could be a benefit under an existing contract, counts as granting a benefit. The payment by the CLT will count as a benefit even if the cost of procuring that benefit is almost twice as much.

5. There are also rules that are slightly less draconian under charitable law which have substantially the same effect. In practice therefore nobody engaged in the direction or management of SLR, nor any of SLR's partners/owners, can be a member of the CLT. It should however be of greater benefit if SLR undertook to ensure that the right quality of director was available, albeit appointed by Elephant Links.

6. SLR's relationship with the CLT will be by contract (see below) not by representation.

7. The CLT will contract with SLR for the acquisition of the social housing. SLR will have contracted with LBS for the whole of the site and all the other outputs required. The transfer of the occupied estates to the CLT will be from LBS to the CLT at the direction of SLR and will be subject to a successful ballot of tenants.

8 At the point of transfer to the CLT, it will have to be registered with the Housing Corporation. As a condition of registration the CLT will have to have in place a funding arrangement (and a business plan) which enables it to perform its obligations. As soon as the CLT is registered therefore it is capable of paying the price for any units that it acquires.

9. Recovery of VAT on the refurbishment of the existing stock is obviously essential. The easiest way of achieving this is for the works to be done to the properties while they are in the ownership of the Council (who can recover the VAT). This demands careful scheduling of the works and of hand over of the blocks. It is also subject to the constraint that the ballot must not be "stale" at the point of transfer. As a working model we should assume a two year period before it goes stale, plus say another 11 months for completion of works by/on behalf of the Council.

10. The CLT cannot afford to take Heygate while there is a risk that it would be left with unimproved properties. It can however take it back to back with the SLR contract going unconditional (once the outline planning permission and any necessary statutory orders have been granted).

11. The CLT would agree to buy all housing packaged with the refurbishment at a fixed price. Subject to demonstrating the quality of the covenant of SLR this would have substantial funding advantages for the CLT (since there is not construction risk), and consequently for registration with the Housing Corporation (there is less risk).

12. As a charity the CLT would be free of corporation tax and stamp duty.